

## Questions About Our Service

1

### **How Do Tenants In My Building Get MFS Service?**

They just call 1-800-MFS-CITY. — It's as simple as that. We do the rest. If your tenants have questions about local alternate access, they can call our toll-free 800 number.

2

### **Does MFS Demand Exclusivity In The Buildings It Serves?**

MFS does not ask for or expect exclusive agreements from any building where it operates.

3

### **Does MFS Require On-Site Personnel To Maintain Its Equipment?**

No. Our entire communications system is monitored 24 hours a day, 365 days a year from a control center in each of the cities where we are located. — Normally, access to the equipment space in the building would only be required to install new service to tenants. MFS would notify the building management prior to such a visit.

4

### **Does The Building Management Receive Compensation From MFS For Its Floor Space Requirements?**

Yes. MFS will agree to a reasonable square foot rental fee associated with its equipment storage space.

"We are proud of the outstanding facilities and quality services we provide our tenants at 5 Penn Center. We therefore view MFS' high quality, state of the art, alternate access fiber-optics network as a definite amenity for our building."

Robert Powell  
Project Manager  
5 Penn Center  
Philadelphia

No. **5**

**Does The Tenant Need To Disconnect Local Phone Service  
Or Purchase Special Equipment To Use MFS Services?**

No. Your tenants remain customers of the local phone company. Local calls will still go out on phone company lines. MFS only provides an alternate means of getting from your tenant's office to their long distance carrier or other specified locations. — MFS customers do not need special equipment, either. MFS can hook up directly to the customer's PBX or main switchboard.

"We're always looking for ways to maintain our status as a premier building. MFS gave us an opportunity to offer a unique service to tenants *and* keep a step ahead of our competitors...with no risk to Amoco."

James Spencer  
*Manager  
Building Operations  
Amoco Corporation  
Chicago*

No. **6**

**What Agreements Are Necessary Before MFS Service Can Be  
Offered In My Building?**

Two agreements are required before MFS can begin to provide service to a building: the "Building Access and Installation Temporary Agreement" and the "MFS Lease-License Agreement." — The Building Access Agreement covers the terms, conditions and obligations for MFS gaining immediate access to the building and installing its equipment. — The agreement assures your approval of engineering plans and drawings, as well as electrical contractors, and MFS' obligations to obtain all municipal required permits and approvals. — The Lease-License Agreement grants MFS the right to locate its equipment within the building and to offer and provide its alternate access service to others within the building. — It also gives MFS the right to access risers, ducts and mechanical space as needed to connect other tenants. — Importantly, this agreement assures the landlord's right to approve any such wiring installation, as well as MFS' obligation to pay for any costs, damages or expenses incurred in this process.



**METROPOLITAN FIBER SYSTEMS**

The Experts Choose

Optical Fiber

Communications

**VERICOR FIBER SYSTEMS, INC.**

Communications

Optical Fiber

Communications

TELEPHONE

TELEPHONE

November 1984

TELEPHONE

## **MFS Intelenet Mission Statement**

*To be the premier supplier of total communications services to small and medium-sized businesses throughout North America*

### **Who is MFS Intelenet?**

MFS Intelenet is the nation's only full service telecommunications company designed exclusively to provide complete communications services to small and medium-sized businesses. MFS Intelenet provides a range of telephone and communications services and can reduce or eliminate reliance on your local telephone company, long distance telephone company and telecommunications equipment providers.

MFS Intelenet is an operating company of MFS Communications Company, the largest competitor to the local telephone companies for business customers in the United States. MFS serves communications intensive customers such as Bear Stearns, The American Stock Exchange, CNN, and The Federal Reserve with unparalleled levels of service and reliability.

# **Introducing MFS Intelenet – a True Alternative in Local and Long Distance Telecommunication Service.**

MFS Communication Company is the largest competitor to the local phone companies for business customers in the United States. MFS has been in business serving communications intensive customers like Bear Stearns, The American Stock Exchange, NASA, and the Federal Reserve with unparalleled levels of service and reliability.

MFS Intelenet, an operating company of MFS, was created to deliver this level of customer service to businesses like yours. MFS Intelenet can reduce or eliminate reliance on your local telephone company, long distance telephone company and equipment providers.










MFS utilizes a high speed fiber optic network in combination with advanced switching technology to deliver calls on the lowest cost route. These efficiencies provide up to

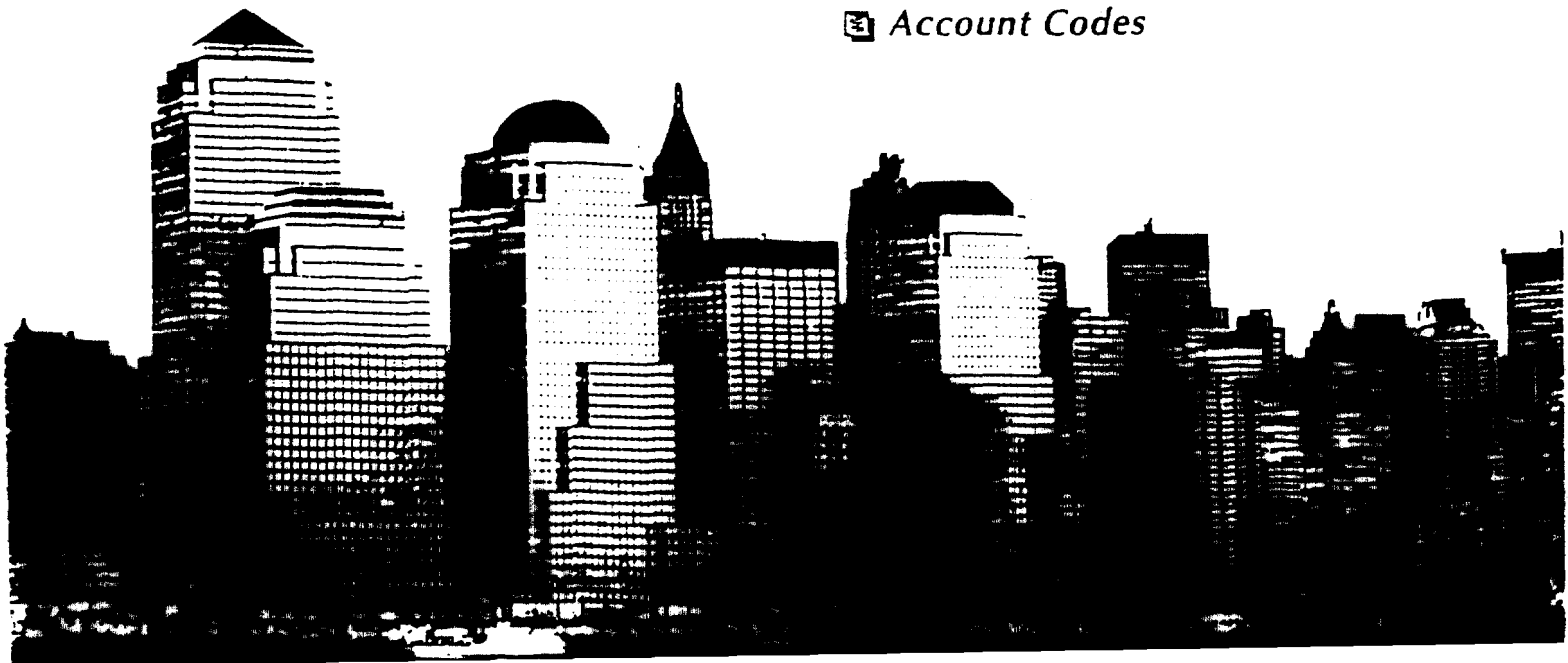
25% **savings**, or more in combined local and long distance charges.

MFS Intelenet is dedicated to serving only the business customer. We work to understand your business and to provide you with services and products that are tailored for your needs.

## **MFS Intelenet is Dedicated to Providing Solutions to Your Telecommunication Needs.**

MFS Intelenet is the only company that provides one stop shopping for all your telecommunication needs.

-  **Local Service**
-  **Domestic Long Distance**
-  **International Long Distance**
-  **800 Service**
-  **Calling Card**
-  **Voice Mail**
-  **Conference Calling**
-  **Management Reports**
-  **Account Codes**



## ***Significantly Improves Your Management Productivity***

MFS Intelenet gives your business one-call solutions to your telecommunications needs. No need for multiple calls to multiple vendors.

MFS Intelenet is committed to superior customer service. We've created a 24-Hour Customer Support Service Center staffed by telecommunication professionals to answer your questions about service or equipment.

MFS Intelenet's Customized Billing features, plus Management Reports will provide your business with an advanced invoice for easy analysis of your telecommunication spending.



### ***Greater Reliability***

We understand that your telephone service is critical to your business. At MFS Intelenet, we strive to offer a higher level of customer service and reliability than you can expect from your local telephone company.

Additionally, for long distance service, we offer significantly improved reliability since



the MFS fiber optic network provides multiple carrier back-up.

### ***Increased Profitability***

In addition to providing the highest quality and reliability, MFS Intelenet provides meaningful savings. Many MFS Intelenet customers have experienced up to ***25% savings, or more.***

Plus, you'll appreciate our simplified approach to billing. With MFS Intelenet there are no promotions limited to a specific time of day or particular area codes. Instead, you'll discover an easy to understand rate plan and invoice that will clearly illustrate your savings.

## **MFS Intelenet Allows You to Focus on Your Business.**

# ***MFS Intelenet, The Single Source Solution For All Your Telecommunication Needs.\****



***Local Service*** -- Calling plans designed to save your company money. All the lines, trunks and features necessary to design a system to fit your needs. -- Basic Business lines, PBX Trunks and Key System Lines.



***Domestic Long Distance*** -- National long distance calling, combining a flat rate cost and the reliability of multiple carrier back-up.



***International Long Distance*** -- Direct dial to more than 200 countries, combining a low flat peak and off-peak rate.



***800 Service*** -- Quality and reliability at a cost saving.



***Calling Card*** -- A convenient and reliable way to place calls while away from the office.



***Voice Mail*** -- Advanced voice mail systems that increase the organization's productivity and reduce telecommunication costs, utilizing a national voice mail network.



***Conference Calling*** -- State-of-the-art technology that permits you to connect with multiple locations with maximum reliability.



***Management Reports*** -- Customized management reports to help manage costs and efficiently allocate expenses.



***Account Codes*** -- Allows for careful tracking of telephone calls and helps control your costs.

**Think Of MFS Intelenet As Your Single Source Solution For All  
Your Telecommunication Needs**

**Call 1-800-938-MFSI**

**And Experience The MFS Intelenet Difference!**

## **MFS Intelenet—The Smart Choice for Telephone Services**

*MFS Intelenet is the nation's only full service, comprehensive telephone services company offering a single source for integrated telephone services. We are your single source for local and long distance telephone service as well as a host of other services designed to help you manage costs, improve productivity and work smarter.*

### **Consolidated Billing**

All MFS Intelenet services—both local and long distance service as well as other services such as calling cards and 800 service—appear on one time saving custom invoice.

### **One-Stop Shopping For All Telephone Services**

MFS Intelenet is your one-call, one-stop source for all telephone services. This eliminates the headache of managing multiple telephone vendors.

### **An Alternative to Your Local Telephone Company**

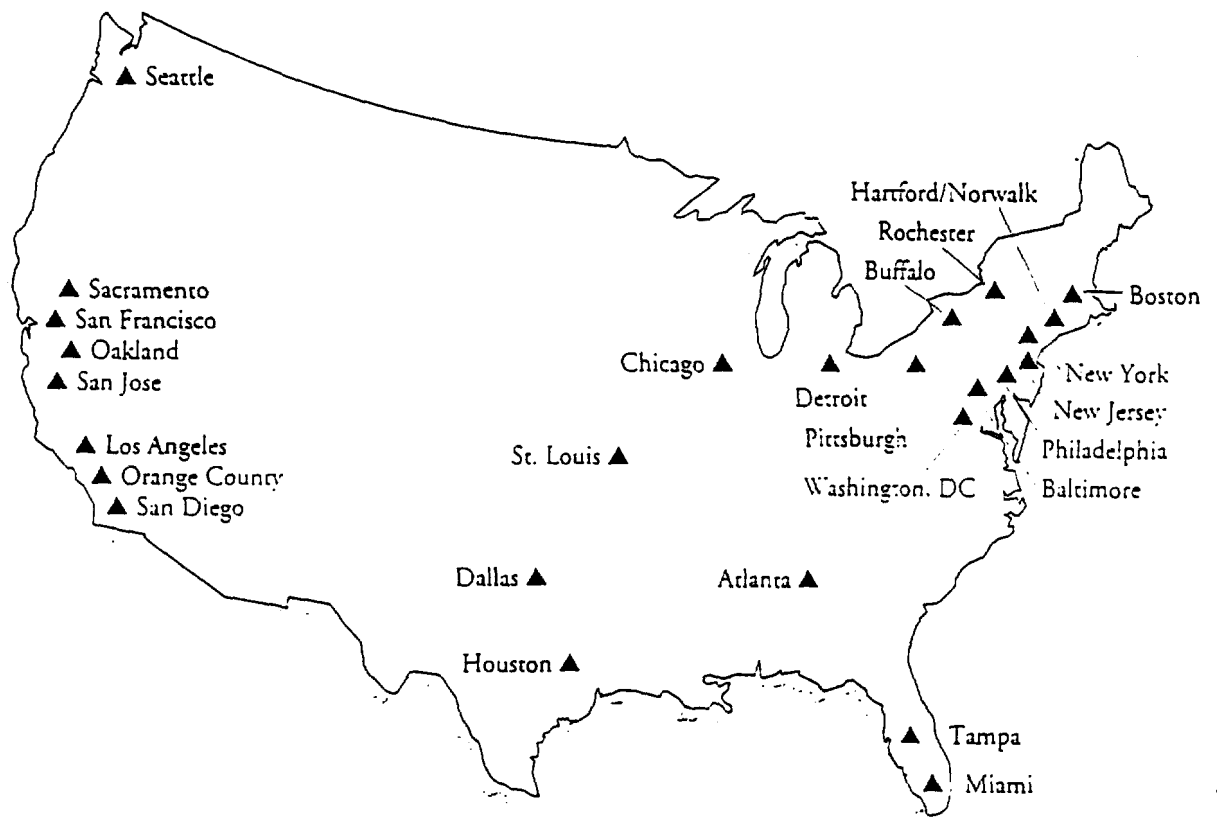
MFS Intelenet is one of the first to provide a true alternative to your local telephone company. Choose MFS Intelenet and reap benefits and cost savings that you never received before.

### **Responsive, Personal Service**

MFS Intelenet partners with you to provide responsive, personal service designed to ensure your telephone service meets your business needs.

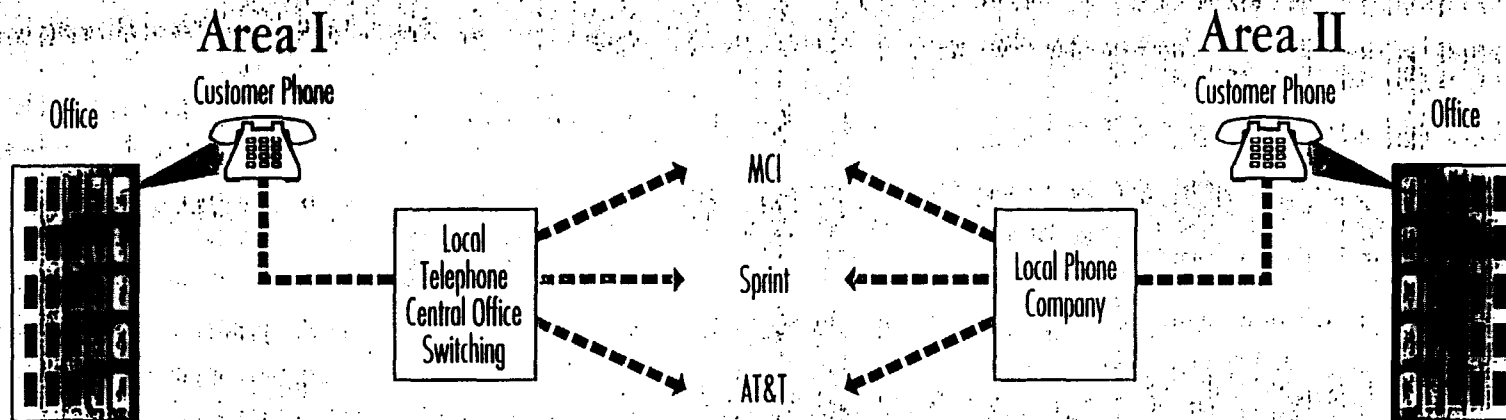


## MFS Intelenet Service Map

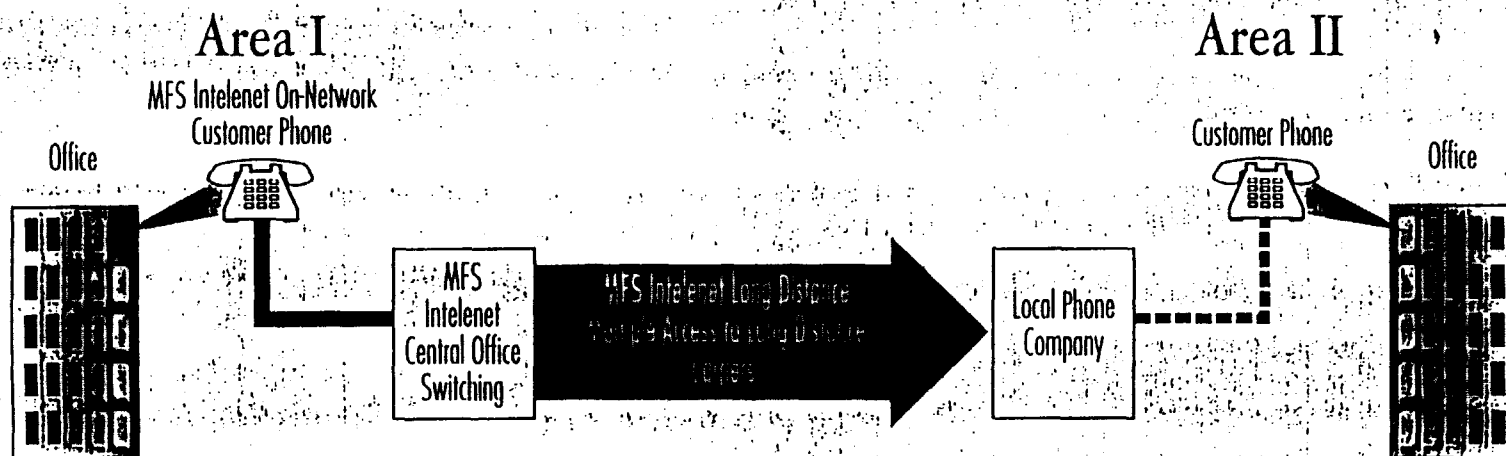


▲ Metropolitan Areas Served

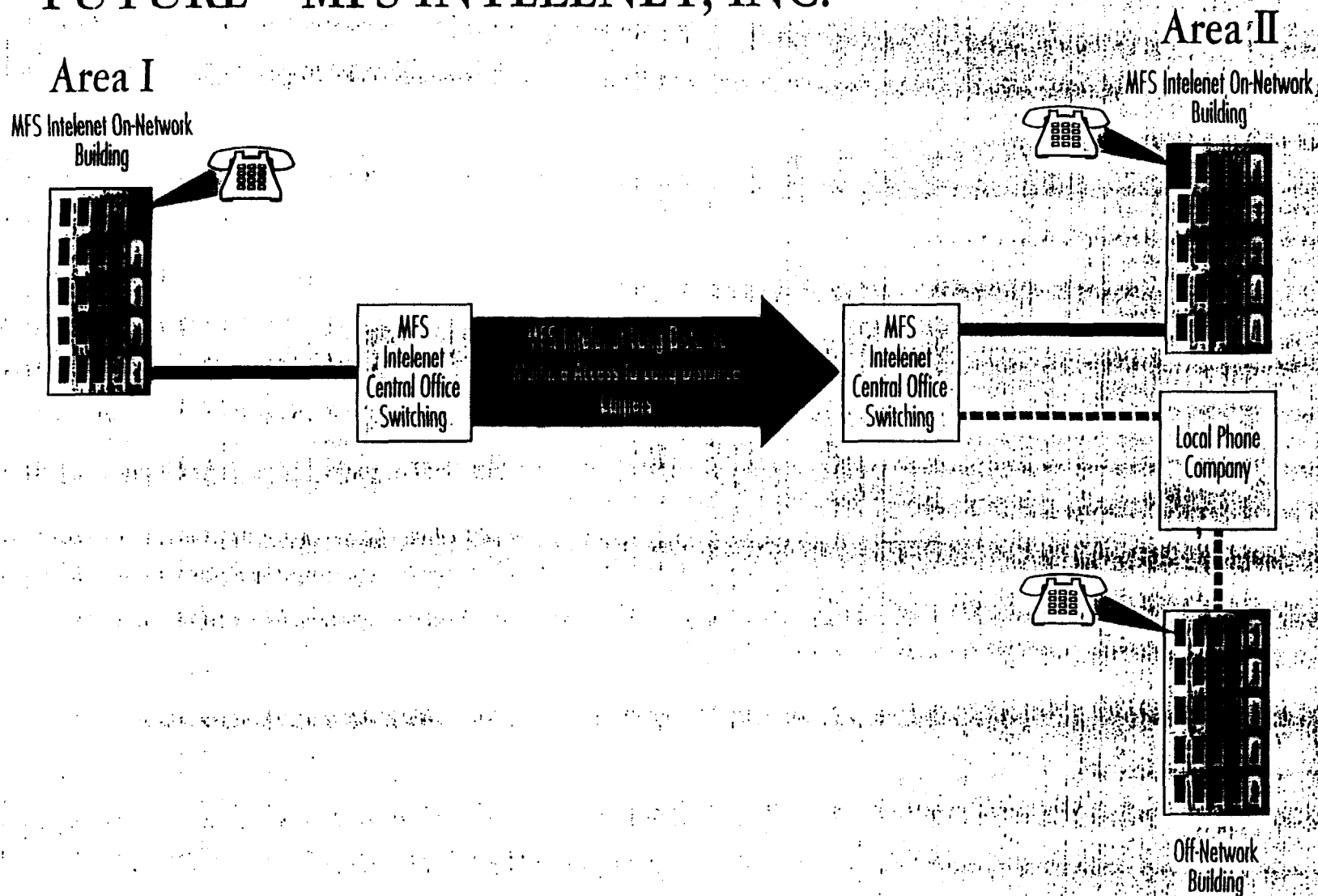
## BEFORE MFS INTELENET, INC.



## AFTER MFS INTELENET, INC.



# FUTURE – MFS INTELENET, INC.



# MFS COMMUNICATIONS, INC.

## SELECTED LIST OF CLIENTS

American Stock Exchange

Arco

MCI, Sprint, et al.

Bank of Boston

Bear Stearns

Chicago Board of Trade

CNN

Federal Reserve Bank of Chicago

General Electric

Kemper Financial Systems

NASA

Quotron Systems

# HAVING A CHOICE OF TELECOMMUNICATIONS PROVIDER MEANS:

- New and Improved Service
- Increased Quality and Security
- Enhanced Technology
- Competitive Pricing
- Responsive Service

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

WESTERN ELECTRIC CO., INC.  
and AMERICAN TELEPHONE AND  
TELEGRAPH COMPANY,

Defendants.

Civil No. 82-0192 (HHG)

Gilbert Orozco, being duly sworn, deposes and says:

1. My name is Gilbert Orozco, and I am Director-Competitive Analysis/Sales Support at Southwestern Bell Telephone Company (SWBT). I have been asked by SBC Communications Inc. (SBC) to assess the extent of competition presented by competitive access providers (CAPs) in SWBT's region.

2. My affidavit is divided into four parts. Part I analyzes the competition provided by CAPs in SWBT's region, including the areas that CAPs serve and the services they

provide. Part II details how customers link to CAPs and how CAPs extend their networks to serve individual customers. Part III describes who CAP customers are. Part IV assesses the market share losses that SWBT has suffered from CAPs, and the likelihood that such losses will increase in the future.

#### I. COMPETITION BY CAPS

3. Nationwide, CAP growth has been explosive: At least forty-one separate CAPs currently serve over eighty-five cities across the country, and new cities are added every month.<sup>1</sup> CAPs currently serve each of the top 25 metropolitan statistical areas. In 1992, CAPs installed nearly twice as many miles of fiber as they did in 1990, and nearly ten times as many as they installed in 1988.<sup>2</sup> From 1993 to 1994 alone, the installed base of CAP fiber increased by 125 percent.<sup>3</sup> See Exhibit 1.

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<sup>1</sup>Connecticut Research, 1994 Local Telecommunications Competition VI-2 -- VI-8 (1994) (hereinafter Local Competition).

<sup>2</sup>Fiber Deployment Update, End of Year 1993, Industry Analysis Division, Common Carrier Bureau, FCC, May 1994.

<sup>3</sup>Local Competition at II-5, Table II-3.

4. MFS Communications Company Inc. (MFS), one of the largest CAPs in the country, has experienced dramatic growth over the past 6 years. In 1989, MFS had 60,483 circuits in service;<sup>4</sup> by the end of 1994, it had 1,713,430 circuits in service. Buildings connected during the same time period increased from 49 to 2,405.<sup>5</sup> In just slightly over a year, MFS more than doubled the number of cities it was serving or developing. By the end of 1993, it had fiber optic networks in operation or under development in 22 cities; the number grew to 46 cities by March 1995.<sup>6</sup>

5. Interexchange carriers, who have always supported CAPs, are now entering the CAP business directly. MCI has unveiled a \$2 billion plan to develop "MCI Metro," a local transport network aimed first at large business customers in major metropolitan areas and ultimately at residential customers. MCI has announced that it will buy \$600 million of

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<sup>4</sup>A dedicated circuit is a facility that connects a customer directly to a location of its choice. Circuits can connect two distinct customer locations, a customer premises with a long distance carrier, or connect two switching locations of a long distance company.

<sup>5</sup>MFS Communications Company's December 31, 1994 Form 10-K, at 4.

<sup>6</sup>Id. at 3.



switching and transmission equipment during the next three years for its local venture.<sup>7</sup> During the next year alone, MCI plans to invest \$500 million to construct, operate and market MCI Metro in the ten cities it initially plans to serve.<sup>8</sup> In addition, Sprint has announced an alliance with three major cable operators -- TCI, Comcast, and Cox -- to package local and long-distance services into a single offering.<sup>9</sup> Teleport Communications Group (TCG), which is owned by Sprint's three cable partners, will become part of the venture.<sup>10</sup>

6. CAP services were first offered in SWBT's region in 1986, by two different CAPs: PSO/MetroLink in Tulsa, Oklahoma and Kansas City FiberNet (KCY FiberNet) in Kansas City.<sup>11</sup> Public Service of Oklahoma/MetroLink, a subsidiary of the utility company Central and South West Corporation, had been

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<sup>7</sup>Edmund L. Andrews, "MCI Will Compete in Local Phone Service", New York Times, Mar. 6, 1995, at D1.

<sup>8</sup>Id.

<sup>9</sup>Paula Bernier, "Sprint Ventures into Partnership with Cable Company Trio", Telephony, Oct. 31, 1994, at 8.

<sup>10</sup>Id.

<sup>11</sup>Local Competition at VII-91; Kansas City FiberNet Sales Literature (no date provided).

using its fiber network for private access services since 1984.<sup>12</sup>

7. Today, SWBT faces competition from 12 CAPs<sup>13</sup> that operate at least 21 separate networks in Wichita, Kansas City, St. Louis, Oklahoma City, Tulsa, Little Rock, Dallas/Fort Worth, Houston, Austin, and San Antonio. These 12 CAPs, with an additional nine others,<sup>14</sup> are either building, or planning to build, at least 27 additional networks in 3 additional SWBT cities.<sup>15</sup> All told, CAPs currently operating in SWBT's region have deployed at least 3,000 route miles of fiber. Completion of networks currently planned or under construction would bring this figure to over 4,000 miles of fiber. The growth of CAPs in SWBT's region is illustrated in the figure included as Exhibit 2 of my affidavit.

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<sup>12</sup>Local Competition at VII-91.

<sup>13</sup>American Communications Services, Inc. (ACSI), Time Warner Communications (TWC), MCI Metro, Metropolitan Fiber Systems (MFS), Teleport Communications Group (TCG), Metro Access, Phonoscope, KINNET, Multimedia Hyperion, Brooks Fiber Communications, Cox Fibernet, and Dobson Fiber.

<sup>14</sup>City Signal, Communications Transmission Group, Inc. (CTGI), GST Telecom, Springfield Fibernet, Indian Nations Fiberoptic, Digital Teleport, Intermedia Communications, SP Telecom, and CSW Communications.

<sup>15</sup>El Paso, Springfield, and Corpus Christi, Harlingen, McAllen region.

**A. Areas Served By CAPs**

8. CAPs generally deploy ring-like fiber optic networks that run through high-density downtown areas and business parks. They thus reach a large number of high-volume telecom users. Attached as Exhibit 3 of my affidavit are maps showing the fiber deployed in several cities in SWBT's region. A table listing CAPs in SWBT's region is attached as Exhibit 4 to this affidavit.

9. Arkansas: American Communications Services, Inc. (ACSI) was founded "to bring alternative local telecommunications fiber optics networks to the fast-growing mid-sized cities of the South."<sup>16</sup> ACSI began offering service over its network in downtown Little Rock early this year. Two other CAPs, Brooks Fiber and Metro Access, are each in the process of building SONET-based fiber networks<sup>17</sup> that will serve

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<sup>16</sup>American Communications Services, Inc., company promotional material (no date provided). Some of the reasons ACSI gives for targeting "more than a dozen cities in the South" include "their concentrated business districts for rapid network installation" and "their favorable municipal government and regulatory environments." Id.

<sup>17</sup>A SONET-based network uses a set of international standards for fiber based transmission systems. SONET defines standard optical carrier transmission rates and utilizes a modular multiplexing signal approach based on the application of synchronous transport signals.

downtown Little Rock.<sup>18</sup> By early this year, these CAPs will have laid almost 44 route miles of fiber. They will initially serve at least 34 buildings in the central business district, as well as the State Capital complex.

10. Entergy Corp., a subsidiary of the utility company Arkansas Power & Light (AP&L), is currently providing direct access to Sprint in a Little Rock, Arkansas trial in the Chenal Valley.

11. Kansas: KIN Network (KINNET), founded in 1988 by 26 independent telephone companies in Kansas, began operating its fiber network in 1990.<sup>19</sup> Its 1,200 mile, all-fiber network currently stretches across the state, from Kansas City to Wichita to Dodge City.<sup>20</sup> Its network connects with over 20 interexchange carrier (IXC) points of presence (POPs).<sup>21</sup>

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<sup>18</sup>Local Competition at VII-8 -- VII-9, VII-63.

<sup>19</sup>Erwin Seba, "Salina Company Enters Bidding for KSAS' Fiber Optic Line", Wichita Business Journal, Jan. 21, 1994, at 14.

<sup>20</sup>Other SWBT cities served by KINNET include Topeka and Salina, Kansas.

<sup>21</sup>KINNET Fiber Optic Communications, company promotional material (no date provided).

12. Kansas City Fibernet has provided competitive access services in Kansas City since 1988. Its fiber network extends over 200 route miles across the five-county Greater Kansas City area. The network "provides direct connections to all the long-distance carriers serving Kansas City over SONET-based fiber-optic rings."<sup>22</sup> MFS, one of the two largest CAPs nationwide, has also disclosed plans to construct a network in Kansas City.<sup>23</sup>

13. Multimedia Hyperion Telecommunications (MHT), a partnership of two cable operators, currently operates a fiber optic network that serves the greater Wichita area. Its network -- described by MHT as "one of the largest Metropolitan Area Networks in the country" -- is a 100 - 150 mile fiber optic network utilizing SONET architecture throughout the Wichita metropolitan area.<sup>24</sup>

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<sup>22</sup>Kansas City FiberNet, company promotional material (no date provided).

<sup>23</sup>MFS was certified by the Missouri Public Service Commission in October 1992 to provide dedicated access and private line services in St. Louis and Kansas City.

<sup>24</sup>"New State Filings Seek to Expand Local Competition", State Telephone Regulation Report, Nov. 3, 1994; Multimedia, Inc. Announces Plans for Information Superhighway Platform, Additional Programming and Distribution Initiatives, PR Newswire, Feb. 15, 1994. MHT utilizes the fiber optic network

14. Missouri: The nation's two largest CAPs -- MFS and Teleport Communications Group (TCG) -- each operate networks in St. Louis. TCG began operation in 1993; its network spans 91 fiber route miles and connects to at least 11 buildings.<sup>25</sup>

15. MFS began operating in St. Louis in 1994, when it purchased an 80 percent controlling interest in MWR FiberCom, Inc. With the MWR network, MFS has 30 miles of fiber in place stretching from downtown St. Louis to the northern and western parts of the county. MFS presently has expanded its network to approximately 80 miles and serves about 50 buildings.<sup>26</sup>

16. MCI's CAP venture -- MCI Metro -- has also indicated that it will enter the St. Louis market.<sup>27</sup> The company is constructing its network with plans to be operational by mid-1995. Another CAP in St. Louis, St. Louis FiberNet, was

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of its parent company Multimedia Cablevision, Inc. in the Wichita area.

<sup>25</sup>Telco Competition Report , Vol. 4, No. 7, "Competition Update - Competition heats up in St. Louis"; Local Competition at VII-74, 102.

<sup>26</sup>MFS PR Newswire, "MFS Completes Fiber Optic Network in St. Louis", Mar. 20, 1995.

<sup>27</sup>Edmund L. Andrews, "MCI Will Compete in Local Phone Service", New York Times, Mar. 6, 1995, at D1.

certified as a CAP in February of 1994. St. Louis FiberNet began constructing a 190 mile network after it signed a contract to use Union Electric's rights-of-way, and the first part of its network became operational in 1994. In February 1995, it was acquired by Intermedia Communications, a well-established CAP operating in the Southeastern United States. Kansas City FiberNet, described above, also serves the Missouri side of Kansas City. Digital Teleport, a CAP operating in St. Louis, was recently awarded 1,200 miles of rights-of-way by the Missouri State Highway Department to construct a statewide fiber optic network. In addition, Springfield Fiber Net plans to establish service in Springfield.

17. Oklahoma: PSO/MetroLink, a department of the Public Service Company of Oklahoma (an electric utility), and a subsidiary of Central & South West Corporation (CSW), is the largest CAP in Oklahoma. Using the electric company easements of its parent company, PSO began serving its first commercial customers in Tulsa in 1986. PSO Metrolink was recently acquired by Brooks Fiber Communications, which also operates a network in Oklahoma City. The Tulsa network now has 105 route

miles of fiber<sup>28</sup> in place and serves at least 42 buildings,<sup>29</sup> including the four campuses of Tulsa Junior College.

18. Brooks Fiber Communications, the nation's fastest growing CAP,<sup>30</sup> currently operates a 20 route-mile fiber network in Oklahoma City that serves 28 buildings.<sup>31</sup> The network covers the immediate downtown area and extends to several business concentrations in the north and northeast areas of the city. In the downtown area, the network connects to at least four interexchange carrier POPs. By the end of 1996, Brooks plans to have deployed approximately 88 route miles of fiber in Oklahoma City.<sup>32</sup>

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<sup>28</sup>PR Newswire, "Brooks Fiber Communications Acquires Tulsa, Oklahoma Network", Feb. 8, 1995.

<sup>29</sup>Local Competition at VII-91.

<sup>30</sup>Local Competition at IV-4.

<sup>31</sup>Local Competition at VII-8 -- VII-9.

<sup>32</sup>The Sunday Oklahoman, "Firm To Activate Fiber Optic Net Serving Downtown", Bus. Section, Mar. 20, 1995, at 1; Brooks Fiber Communications of Oklahoma, Inc., Economic Impact of Brooks Fiber Communications of Oklahoma to Oklahoma City, company promotional material (no date provided).



19. Oklahoma City has been targeted by other CAPs as well. Metro Access has plans to construct a network<sup>33</sup>, as does Indian Nation Fiber.<sup>34</sup> Cox Fibernet, an affiliate of TCG and subsidiary of Cox Cable, plans to use 120 miles of Cox Cable System's existing fiber network in the north and southwest parts of downtown Oklahoma City.<sup>35</sup> When construction is complete, Cox Fibernet and Metro Access will add another 140 route miles of fiber to the Oklahoma City metropolitan area. In addition, MFS applied with the Oklahoma Corporate Commission for a Certificate of Public Convenience and Necessity to provide intrastate, interexchange private line services on November 18, 1994.

20. Texas: Houston: MFS has been operating a CAP in Houston since 1989. Its 260 mile fiber network currently reaches at least 80 buildings throughout the Houston metropolitan area and is capable of serving "hundreds of small

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<sup>33</sup>Local Competition at VII-63.

<sup>34</sup>City Council Meeting Transcript of Lawton, OK, Apr. 26, 1994.

<sup>35</sup>Local Competition , at VII-20. Cox has operated Oklahoma City's cable franchise since 1980. Warren Publishing, Inc., 1994 Television & Cable Factbook, at D-1361 (1994).